



WILLIAM T FUJIOKA
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

"To Enrich Lives Through Effective And Caring Service"

Board of Supervisors
GLORIA MOLINA
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MICHAEL D. ANTONOVICH
Fifth District

November 12, 2014

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**DEPARTMENT OF PUBLIC WORKS:
MARTIN LUTHER KING, JR. MEDICAL CENTER
INPATIENT TOWER RENOVATION PROJECT
APPROVE REVISED PROJECT BUDGET, APPROPRIATION
ADJUSTMENT AND VARIOUS CONSTRUCTION CHANGE ORDERS
SPECS. 7055; CAPITAL PROJECT NO. 88945
SECOND DISTRICT
(4 VOTES)**

SUBJECT

The recommended actions are to approve an appropriation adjustment, revised Project budget, and change orders to resolve previously-disputed issues with Hensel Phelps Construction Company for the Martin Luther King, Jr. Inpatient Tower Renovation Project.

IT IS RECOMMENDED THAT THE BOARD:

1. Find that the recommended actions are within the scope of the previously approved categorical exemption for the Martin Luther King, Jr. Inpatient Tower Renovation Project.
2. Approve an increase in the Project budget from \$281,430,000 to \$284,313,000 for the Martin Luther King, Jr. Inpatient Tower Renovation Project.
3. Approve an appropriation adjustment for the Martin Luther King, Jr. Inpatient Tower Renovation Project in the amount of \$2,883,000, offset with tax-exempt commercial paper.
4. Approve and authorize the Director of Public Works, or her designee, to execute a change order with Hensel Phelps Construction Company for the removal and reinstallation of existing utilities in the

intensive care units for a \$258,000 not-to-exceed fee.

5. Approve and authorize the Director of Public Works, or her designee, to execute a change order with Hensel Phelps Construction Company to provide additional server cabinets and associated support systems for a \$500,000 not-to-exceed fee.

6. Approve and authorize the Director of Public Works, or her designee, to execute a change order with Hensel Phelps Construction Company for additional work for various low-voltage systems for a \$350,000 not-to-exceed fee.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommended actions will find the recommended actions within the scope of the previously approved categorical exemption for the Martin Luther King, Jr. Medical Center (MLK) Inpatient Tower (IPT) Renovation Project (Project); revise the Project budget; and approve and authorize the Director of Public Works to execute three separate change orders with Hensel Phelps Construction Company (Hensel Phelps).

Revised IPT Renovation Project Budget

On August 20, 2013, the Board approved the current Project budget of \$281,430,000. At that time, we had requested an increase in the Project budget of \$32,000,000, of which \$24,000,000 was recommended to fund change orders and an additional \$8,000,000 was recommended for other direct cost changes, Job Order Contracting (JOC), consultant services, and inspection. In lieu of the requested increase of \$32,000,000, the Board approved an increase to the Project budget in the amount of \$29,000,000, and directed that we return to the Board if additional funds were necessary.

We informed the Board that we were in the process of negotiating various change orders with the design-builder, Hensel Phelps, including certain disputed items, and that we would return to the Board to seek approval of these change orders, and if necessary, a revised Project budget for other project costs.

The Department of Public Works has completed negotiations for three recommended change orders with Hensel Phelps. The aggregate amount of the three change orders is \$1,108,000 and is accommodated for within the existing project change order contingency. A description of the required scope of work and associated cost with each of the three change orders is set forth in detail below.

Construction Change Orders

Relocation of Existing Utilities in the Intensive Care Units

On October 16, 2012, the Board authorized Public Works to finalize and execute a change order with Hensel Phelps in an amount up to \$700,000 to modify various existing systems as part of the structural strengthening of the existing intensive care units. This included both relocation of utilities, and code upgrades to various systems as required by the Office of Statewide Health Planning and Development (OSHPD). The \$700,000 amount authorized for that change was a projected cost because we were still in negotiations with Hensel Phelps.

Subsequent to that approval, a portion of this work was settled and a change order in the amount of

\$539,117 was executed to implement the upgrades of the various systems to current code because this scope was clear and not in dispute. Public Works disputed Hensel Phelps' cost for the remaining work, including removal and relocation of the existing utilities, but issued a proceed order within the delegated amount to complete the work while we negotiated the cost for this change. The final cost for this second change order has now been negotiated with Hensel Phelps for a \$258,000 not-to-exceed fee.

Modifications to the Server Room

During the design phase, the County of Los Angeles identified the need for additional server cabinets in the new data center to support the information technology requirements of the facility. To accommodate the increased number of cabinets, the server room had to be enlarged, and the electrical requirements, cooling equipment, fire suppression, and other associated building components had to be increased. Hensel Phelps and its subcontractors submitted a change order request for \$1,300,000 for this work. After numerous intensive meetings and field reviews, Public Works was able to demonstrate that many of the submitted cost items were not justified. After final negotiation and documentation, the cost of these changes was resolved for the amount of \$500,000.

Increased Low-Voltage Systems Scope of Work

Hensel Phelps and their subcontractors asserted that they encountered additional costs to provide the design and construction of seven low-voltage systems in the amount of \$2.6 million. Public Works initially rejected this request because it lacked adequate documentation and justification. Public Works and Hensel Phelps engaged in a series of meetings and exchanges of information and in July 2014 reached a resolution. Through these reviews it was confirmed that some additional low-voltage equipment had been required in order to meet the original program for the hospital, including additional audio/visual systems, upgrades of the nurse call system in the intensive care units, and the addition of additional zones to the public address system. Public Works and Hensel Phelps reached an agreement on the additional costs associated with this scope of work in the amount of \$350,000.

Additional Project Costs

As part of completion of the Project, Public Works identified additional required services, including inspection and materials testing; consulting services; County services; JOC work in order to close out the Project, including upgrades required by OSHPD that were not part of the original scope; and design services to document the OSHPD campus structural compliance requirements, and for the design and construction administration support of the JOC work. As shown in Attachment A, there is approximately \$944,000 remaining in the total Project budget. The total cost for the additional scope and services is \$3,827,000, leaving a net of \$2,883,000 as requested.

We are recommending approval of the revised Project budget of \$284,313,000 for the MLK IPT Project. The current budget request includes \$2,883,000 to fund the recommended change orders, JOC work, consultant services, inspection/testing, and County services. The Project Schedule and Budget Summary are included in Attachment A.

Potential Future Project Budget Impact

Aside from the three change orders discussed above, there remains one item still in dispute with Hensel Phelps. On March 3, 2014, Hensel Phelps submitted a change order request for \$1,011,248 related to replacing shot pins and compression posts for the ceiling system by its subcontractor,

Harwood Construction, Inc. This request has been reviewed and rejected by Public Works as being without merit. The subcontractor has retained legal counsel, and we are presently waiting for additional information that we have requested from Hensel Phelps in support of their change order request. In the event that a settlement is reached requiring payment to Hensel Phelps for this item, we will return to the Board for approval.

Green Building/Sustainable Design Program

The MLK IPT Project supports the Board's policy for Green Building/Sustainable Design Program. The new Ancillary Building, which is part of the MLK IPT Project, will include sustainable design features for certification at Silver or higher level under the United States Green Building Council Leadership in Energy and Environmental Design for new building construction. The MLK IPT Project includes design features to optimize energy efficiency, such as replacing and/or upgrading the mechanical, electrical, and plumbing systems; use of recycled and low-gas emitting materials; and use of alternative transportation methods.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan directs the provision of Operational Effectiveness/Fiscal Sustainability (Goal 1); Community Support and Responsiveness (Goal 2); and Integrated Services Delivery (Goal 3); by investing in public health infrastructure to enhance the safety of patients and staff, and improving patient care with improved infrastructure.

FISCAL IMPACT/FINANCING

Approval of the appropriation adjustment (Attachment B) will increase the MLK IPT Project budget by \$2,883,000 from the \$281,430,000 previously approved by the Board to \$284,313,000.

As previously approved by the Board, the MLK IPT Project is currently funded through the issuance of tax-exempt commercial paper, but will ultimately be financed with proceeds from the issuance of long-term, tax exempt bonds. The Project Schedule and Budget Summary are included in Attachment A.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The recommended change orders will be in the form previously reviewed and approved by County Counsel. The existing design-build agreement contains terms and conditions supporting the Board's ordinances, policies, and programs, including, but not limited to, County's Greater Avenues for Independence (GAIN) and General Relief Opportunities for Work (GROW) Programs, Board Policy No. 5.050; Contract Language to Assist in Placement of Displaced County Workers, Board Policy No. 5.110; Reporting of Improper Solicitations, Board Policy No. 5.060; Notice to Contract Employees of Newborn Abandonment Law (Safely Surrendered Baby Law), Board Policy No. 5.135; Contractor Employee Jury Service Program, Los Angeles County Code, Chapter 2.203; Notice to Employees Regarding the Federal Earned Income Credit (Federal Income Tax Law, Internal Revenue Service Notice 1015); Contractor Responsibility and Debarment, Los Angeles County Code, Chapter 2.202; the Los Angeles County's Child Support Compliance Program, Los Angeles County Code, Chapter 2.200; and the standard Board-directed clauses that provide for contract termination or renegotiation. Section 20137 of the Public Contract Code allows the Board, with a four-fifths vote, to authorize an individual change order to a construction contract that is 10 percent or less of the original contract amount without having to obtain bids for the work. The three separate change orders hereunder are within the statutory threshold.

ENVIRONMENTAL DOCUMENTATION

On August 18, 2009, the Board established the MLK IPT Project and found it to be categorically exempt from the California Environmental Quality Act (CEQA) under Sections 15301(d); 15302(a); and 15303(c) and (f) of the State CEQA Guidelines. Approval of the recommended change orders and other recommended actions are within the scope of the previously approved categorical exemption for the MLK IPT Project.

CONTRACTING PROCESS

On April 19, 2011, the Board awarded a design-build contract to Hensel Phelps for a total amount of \$165,100,000. To date, the project is essentially complete with the exception of final close-out documentation. The County has executed 240 construction change orders increasing the total contract amount to \$216,613,648. The three change orders recommended in this action will increase the contract amount by an aggregate amount of \$1,108,000 for a revised total contract amount of \$217,721,648.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approving the recommended actions will have no impact on current County services.

CONCLUSION

Please return one adopted copy of this Board letter to the Chief Executive Office, Facilities Asset Management Division; Department of Health Services, Capital Projects Division; and the Department of Public Works, Project Management Division I.

The Honorable Board of Supervisors

11/12/2014

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Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. T. Fujioka', with a long horizontal line extending to the right.

WILLIAM T FUJIOKA

Chief Executive Officer

WTF:SHK:DJT

SW:TH:zu

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Health Services
Internal Services
Public Works

ATTACHMENT A

**DEPARTMENT OF PUBLIC WORKS:
MARTIN LUTHER KING, JR. MEDICAL CENTER
INPATIENT TOWER RENOVATION PROJECT
APPROVE REVISED PROJECT BUDGET, APPROPRIATION
ADJUSTMENT AND VARIOUS CONSTRUCTION CHANGE ORDERS
SPECS. 7055; CAPITAL PROJECT NO. 88945**

I. PROJECT SCHEDULE

Project Activity	Board Approved Completion Date	Revised Completion Date
Environmental Impact Report	10/15/11*	10/15/11*
<u>C.P. 88945</u>		
MAKE-READY		
Programming	09/18/09*	09/18/09*
Design	04/29/10*	04/29/10*
Jurisdictional Agency Approval	07/27/10*	07/27/10*
Construction Bid and Award (JOC)	08/19/10*	08/19/10*
Construction		
Substantial Completion	11/01/11	11/01/11*
Acceptance	12/01/11	12/01/11*
INPATIENT TOWER RENOVATION AND SUPPORT SPACE		
Programming	09/18/09*	09/18/09*
Design	03/31/11*	By Design-Builder
Jurisdictional Agency Approval	06/31/11*	06/31/11*
Award Design-build	03/01/11*	03/31/11*
Construction		
Substantial Completion	08/31/13	10/31/13*
Building Occupancy	12/30/13	5/15/14*
Acceptance	TBD	12/18/14

*Indicates actual date.

II. BUDGET SUMMARY MLK IPT AND MAKE-READY

Budget Category	Previously Approved Budget	Impact of this Action	Current Project Budget
Land Acquisition	\$ 0	\$ 0	\$ 0
Construction			
Design-Build Contract	\$148,684,000	\$ 0	\$ 148,684,000
Job Order Contract	32,959,000	1,402,000	34,361,000
Change Orders Contingency	44,401,000	(547,000)	43,854,000
Builder's Risk Insurance	570,000	0	570,000
Utility Fees	150,000	(150,000)	0
Proposer Stipends	400,000	0	400,000
DPW Job Order Contract Management	645,000	(102,000)	543,000
Construction Consultants	0	0	0
Telecomm Equipment - Affixed to Building	0	0	0
Civic Arts	0	0	0
Subtotal	\$227,809,000	\$ 603,000	\$ 228,412,000
Programming/Development	\$ 0	\$ 0	\$ 0
Plans and Specifications			
Architect/Engineer Fee	\$ 21,075,000	\$ 445,000	\$ 21,520,000
Design Contingency	0	0	0
Subtotal	\$ 21,075,000	\$ 445,000	\$ 21,520,000
Consultant Services			
Site Planning	\$ 0	\$ 0	\$ 0
Hazardous Materials	256,000	0	256,000
Geotech/Soils Report and Soils Testing	1,000,000	22,000	1,022,000
Material Testing	3,400,000	170,000	3,570,000
Peer Review Services	570,000	(50,000)	520,000
Inspection Services	3,400,000	644,000	4,044,000
Topographic Surveys	60,000	0	60,000
Construction Management	9,400,000	120,000	9,520,000
Document and Project Controls	3,900,000	200,000	4,100,000
Labor/Outreach/Local Worker Hiring Program	665,000	65,000	730,000
Move Management (Move Manager Only)	0	0	0
Equipment Planning	0	0	0
Consultant Contingency	0	0	0
Subtotal	\$ 22,651,000	\$ 1,171,000	\$ 23,822,000
Miscellaneous Expenditures	\$ 75,000	\$ (9,000)	\$ 66,000
Jurisdictional Review/Plan Check/Permit	\$ 3,825,000	\$ 121,000	\$ 3,946,000
County Services			
Code Compliance Inspection	\$ 205,000	\$ 22,000	\$ 227,000
Quality Control Inspection	0	0	0
Design Review	48,000	0	48,000
Design Services	0	0	0
Contract Administration	390,000	78,000	468,000
Project Management	550,000	81,000	631,000
Project Management Support Services	4,360,000	345,000	4,705,000
ISD Job Order Contract Management	0	0	0
DPW Job Order Contract Management	0	0	0
ISD ITS Communications	175,000	(49,000)	126,000
Project Technical Support	52,000	(32,000)	20,000
ISD Countywide Contract Compliance Section	215,000	(5,000)	210,000
County Counsel	0	0	0
Other - Contract Management - LWHP	0	0	0
Other-Contingency	0	112,000	112,000
Subtotal	\$ 5,995,000	\$552,000	\$ 6,547,000
TOTAL	\$281,430,000	\$2,883,000	\$ 284,313,000

November 12, 2014

ATTACHMENT B

**DEPARTMENT OF PUBLIC WORKS:
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ADJUSTMENT AND VARIOUS CONSTRUCTION CHANGE ORDERS
SPECS. 7055; CAPITAL PROJECT NO. 88945**

**APPROPRIATION ADJUSTMENT
(See Attached)**

PINK

BA FORM 03/13

BOARD OF
SUPERVISORS
OFFICIAL COPY

COUNTY OF LOS ANGELES

REQUEST FOR APPROPRIATION ADJUSTMENT

DEPARTMENT OF CHIEF EXECUTIVE OFFICE

DEPT'S.
NO. 060

November 12, 2014

AUDITOR-CONTROLLER:

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. PLEASE CONFIRM THE ACCOUNTING ENTRIES AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF EXECUTIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

FY 2014-15

4 - VOTES

SOURCES

HEALTH FACILITIES CAPITAL IMPROVEMENT FUND
MLK Inpatient Tower
J19-CP-94-9276-65057-88945
Commercial Paper Proceeds/Capital Projects
INCREASE REVENUE

USES

HEALTH FACILITIES CAPITAL IMPROVEMENT FUND
MLK Inpatient Tower
J19-CP-6014-65057-88945
Capital Assets – Building & Improvements
INCREASE APPROPRIATION

SOURCES TOTAL: \$ 2,883,000

USES TOTAL: \$ 2,883,000

JUSTIFICATION

The appropriation adjustment, offset with tax-exempt commercial paper, is necessary to fully fund the MLK Inpatient Tower Renovation Project CP 88945.


 AUTHORIZED SIGNATURE Sabra White


BOARD OF SUPERVISOR'S APPROVAL (AS REQUESTED/REVISED)

REFERRED TO THE CHIEF
EXECUTIVE OFFICER FOR ---☐ ACTION☒ RECOMMENDATION

AUDITOR-CONTROLLER

BY

B.A. NO. 046


 Oct 28 20 14
☒ APPROVED AS REQUESTED☐ APPROVED AS REVISED

CHIEF EXECUTIVE OFFICER

BY


 Oct 29 20 14